

**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

Implementation of Renewables Portfolio)	Docket No. 03-RPS-1078
Standard Legislation (Public Utilities)	RPS Proceeding
Code Sections 381, 383.5, 399.11 through)	
399.15, and 445; [SB 1038], [SB 1078]))	

And)

Implementation of Renewables)	Docket No. 02-REN-1038
Investment Plan Legislation (Public)	Renewable Energy Program
Utilities Code Sections 381, 383.5,)	
and 445; [SB 1038]))	

**COMMENTS OF POWEREX CORP. ON SUBSTANTIVE CHANGES TO THE
RENEWABLES PORTFOLIO STANDARD ELIGIBILITY GUIDEBOOK**

I. INTRODUCTION

At its Business Meeting scheduled for May 19, 2004, the Energy Commission will consider adopting revisions to the Renewables Portfolio Standard (“RPS”) Eligibility Guidebook and the New Renewable Facilities Program Guidebook. In advance of the Energy Commission’s consideration of the proposed substantive changes to the RPS Eligibility Guidebook, Powerex Corp. (“Powerex”) is pleased to submit its comments.

Powerex is the marketing subsidiary of British Columbia Hydro and Power Authority. Powerex sells power at wholesale in the United States pursuant to market-based rate authority granted by the Federal Energy Regulatory Commission, including supply from competitively-priced qualifying renewable (small hydro, biomass, and landfill gas) generation facilities. Powerex wishes to support and participate in

California's legislatively mandated RPS program which is designed to increase the renewable content of electricity supplied by the state's investor-owned utilities to their retail customers.

Powerex appreciates the opportunity provided by the Commission to comment on the proposed substantive changes to the RPS Eligibility Guidebook. In particular, Powerex asks that careful consideration be given to its suggested revisions to current, draft Guidebook language that, unless changed, might inadvertently preclude out-of-state suppliers like Powerex from participating in the RPS program and unnecessarily deny California consumers access to attractively-priced, competitive renewable generation supplies.

Powerex hopes that its comments will: (1) inform the Commission of the need for the RPS Eligibility Guidebook to acknowledge and accommodate the interchange scheduling practices between control areas in the Western Interconnection that determine how out-of-state suppliers participate in the California electricity markets; and (2) provide the Commission additional information on how the Guidebook can and should be modified so that California can benefit from the additional competition that out-of-state RPS eligible facilities like Powerex offer and from the lower costs to California electricity consumers that will result from their inclusion in the RPS program.

II. Powerex's Comments on and Proposed Revisions to Substantive Changes in the Language of the RPS Eligibility Guidebook Addressing "Eligibility of Out-of-State Facilities-Delivery Requirements"

A. Powerex recognizes that SB 67 mandates delivery requirements for out-of-state generators just as it does for in-state resources. Powerex also recognizes the need for

consistent application of the delivery requirement to both in-state and out-of-state resources.¹ As Powerex understands the division of responsibilities between various California state agencies, final determination and imposition of the specific elements of the deliverability requirements that must be met by in-state and/or out-of-state generators as a prerequisite for participation in the RPS will be the product of a collaborative effort among the California Public Utilities Commission (“CPUC”), the Energy Commission and the CA ISO, undertaken as part of ongoing CPUC proceedings.

In that context, Powerex asks that careful scrutiny be given to the proposed substantive changes to the Guidebook’s language addressing deliverability requirements for out-of-state generators in order to avoid inclusion of language in the Guidebook that prejudices the outcome of the CPUC proceedings or unnecessarily or inadvertently serves to restrict the class of out-of-state generators that should otherwise be eligible for participation in the RPS.

Specifically, the RPS Eligibility Guidebook should recognize that out-of state resources are scheduled in a different manner than in-state resources. Out-of-state resources are scheduled on an hourly basis (fixed for the hour) at the various tie points between the California ISO and its neighbouring control areas. Consequently, while delivery requirements imposed upon out-of-state suppliers should be consistent with and similar to those applicable to in-state generators, they need not and should not be identical. Powerex recommends the following

¹ Powerex is aware of the comments of Ridgewood Renewable Power, LLC (“Ridgewood”) submitted February 9, 2003 in this docket which, among other things, assert that SB 67 mandates imposition of delivery requirements upon out-of-state generators. Powerex does not take issue with Ridgewood’s basic assertion. To the extent, however, that the substantive changes to the “Delivery Requirements” section of the RPS Eligibility Guidebook are intended to be responsive to Ridgewood’s concern “with this [Energy] Commission’s statement that ‘SB 67 may be construed as not imposing an in-state deliverability requirement for generation to qualify as eligible for the RPS,’” Powerex believes that proposed changes are overly broad and unduly restrictive.

change to the introductory section of the proposed “Delivery Requirements” language to reflect this significant distinction:²

Out-of-state facilities are subject to ~~the same~~ deliverability requirements *similar to* as-in-state facilities. Generation that will be counted for purposes of RPS compliance from out-of-state facilities must be delivered *to a tie point into the CA ISO control area* ~~an in-state market hub (also referred to as “zone”) or in-state substation (also referred to as “node) located within the CA ISO control area~~ of the WECC transmission system. The specific *CA ISO tie point in-state delivery location* will be designated by the contracting IOU under the power purchase contract between the IOU and facility or renewable supplier.

B. Powerex suggests that section 1 of the proposed “Delivery Requirements” section be modified to allow the out-of-state supplier to provide the energy from a portfolio of resources and in a manner that renders the statement of “Delivery Requirements” consistent with the way in which imports to the CA ISO control area are actually considered and treated by the CA ISO. In that regard, Powerex notes that the CA ISO considers imports to be System Resources (defined in the CA ISO tariff as a group of resources located outside of the ISO Control Area capable of providing Energy and/or Ancillary Services to the ISO Controlled Grid) and System Resources are scheduled to the CA ISO tie point. Accordingly, Powerex recommends the following revisions to “Delivery Requirements,” Section 1:

The facility must engage in an interchange transaction with the CA ISO to deliver the *energy associated with the contract between the IOU and out-of-state supplier* ~~facility’s generation to the to the tie point into market hub or substation in~~ the CA ISO control area designated by the procuring IOU. In accordance with the policies of the North American Electricity Reliability Council (NERC), the interchange transaction must be tagged as what is commonly referred to as a “NERC tag,” which requires, among other things, that information be provided identifying the Generation Providing Entity, the “source” or “Point of Injection”, the physical

² This proposed change would also apply to section 1b of page 19: “b) demonstrates delivery of ~~its generation energy to a tie point into to the in-state market hub or the in-state substation located within~~ the CA ISO control area of the Western Electricity Coordinating Council (WECC) transmission system designated by the IOU...”

transmission path for delivery, the contract or market path, the location to which the electricity will be delivered to (“sink” or “Point of Withdrawal”), and the Load Serving Entity responsible for the consumption of electricity delivered.

C. Powerex seeks clarification on the issue of *tracking delivery* of the electricity to the designated tie point with the CA ISO control area as opposed to the *tracking of the production* of the electricity of the RPS eligible out-of-state facility. As described above, for the purpose of determining compliance with the delivery requirement, the RPS Eligibility Guidebook should reflect the nature of out-of-state supply as a System Resource defined as a portfolio of resources. The Commission should clarify that the delivery requirement is intended to ensure that the out-of-state supplier delivers physical energy in equal amount to the production amount of the RPS eligible out-of-state facility to the designated tie point (as determined by the procuring IOU) with the CA ISO control area. However, there need not be a requirement that the out-of-state supplier has to schedule any specific facility to the delivery point.

By adopting this approach, California will be able to take full advantage of the availability of and access to out-of-state renewable resources and their beneficial attributes while, at the same time, the state can rely and count on the assurance of physical delivery of energy that will be less impacted by transmission constraints or curtailments between the CA ISO control area and the host control area of the RPS eligible out-of-state facility. If the RPS eligible out-of-state facility does not produce in any given hour, then there would not be a delivery requirement for that hour which puts the out-of-state facility on a level playing field with an RPS eligible in-state facility from a delivery requirement perspective

D. Powerex proposes specific modifications to subdivisions 2, 3 and 4 of the proposed “Delivery Requirements” section in order to reflect and accommodate scheduling from a System Resource to meet the delivery requirement. The practical effect of the suggested revisions would mean that the Commission certification number would be entered into the contract field of the NERC tag which is essentially what the certification number implies, i.e. contract with IOU. The source of the energy would be the System Resource in the source control area which, in most cases, would have already been registered with NERC. Powerex’s proposed revisions are as follows:

2. The facility’s Energy Commission certification number must be listed on the NERC tag. This information should be shown under the ~~“MiscellaneousContract”~~ column associated with the Source Energy Product in the Market Path area of the NERC tag.

3. The owner *or Scheduling Coordinator* of the eligible facility ~~shall~~*may either* register the facility as a unique Source with NERC and include in the registration description that this is an Eligible RPS/SEP Facility along with its Energy Commission certification number *or may designate the source as the source of the System Resource. This* Either of these two Sources ~~shall~~*may* be used on NERC transaction tags for all eligible energy deliveries.

4. The facility must submit for and receive acceptance of a NERC tag between the CA ISO and the operator of the control area in which the facility *or System Resource* is located.

E. Powerex seeks clarification that the “applicable parties” as referenced in subdivision 5 of the proposed “Delivery Requirements” section are not limited to the Generation Providing Entity (GPE) and Load Service Entities. Powerex submits that the draft language should be modified to reflect that the NERC tag responsibility should be between the procuring IOU and the RPS eligible out-of-state resource or its representative (possibly a CA ISO Scheduling Coordinator) and that it is the implemented

and accepted tags that are proof of delivery. Accordingly, Powerex recommends the following revisions :

5. The applicable parties (~~the Generation Providing Entity and Load Service Entities~~ *procuring IOU and the RPS eligible out-of-state resource or its agent*) must agree to make available upon request documentation of the *implemented and accepted* NERC tag to the Energy Commission. On May 2 of each year, the facility must submit an annual report documenting compliance with this NERC tag requirement for the previous calendar year to the Energy Commission.

III. CONCLUSION

Powerex repeats its request for careful consideration by the Commission of the revisions that Powerex seeks with respect to the substantive changes that the Commission's Renewables Committee have recommended with regard to the portion of the RPS Eligibility Guidebook that deals with "Eligibility of Out-of-State Facilities-Delivery Requirements." Powerex cannot overstate the significance to it of its recommended revisions. Without such modifications to the RPS Eligibility Guidebook, which are simply intended to reflect the reality of how out-of-state supplies are actually scheduled for delivery to California and to encourage the availability to California of competitively priced, renewable generation supplies, supplies of such renewable resources that Powerex is otherwise ready, willing and able to commit to the California market may be unnecessarily precluded from participation in the RPS program. If Powerex's requested revisions to the RPS Eligibility Guidebook are rejected or ignored, not only Powerex but also California consumers will be disadvantaged.

Dated this 17th day of May, 2004 at San Francisco, California.

Respectfully submitted,

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